



February 24, 2003

Mr. Paul Nelson
GreenTeam/Zanker
301 Carl Road
Sunnyvale, CA 94089

RE: Response to Proposal from GreenTeam/Zanker

Dear Mr. Nelson,

Thank you for your proposal of January 24, 2003 suggesting that we consider changes to the operating agreement in the areas of diversion incentive levels and revenue sharing. We appreciate that GreenTeam/Zanker continues to examine approaches to decreasing tonnage delivered to the landfill.

Each of the SMaRT Station partner cities have met the waste reduction goals set in AB939, and continue to support many programs that contribute to waste reduction, including the SMaRT Station materials recovery operation. We have evaluated your proposal to determine its diversion benefits and financial implications to the SMaRT Station partner cities. We have found that the additional diversion it would provide is marginal, but the additional costs would be significant. Thus, we must respectfully decline your proposal.

Very truly yours,

Marvin A. Rose
Director of Public Works

Cc: Robert S. LaSala
Mark Bowers
Rich Gurney
Debi Sargent
Todd Storti
Cynthia Palacio
Russ Reiserer

COST ANALYSIS-Current Contract vs. GT/Z Proposal

Possible scenarios - Annual financial impacts

| | 1 | 2 | 3 | 4 | 5 |
|--|---------------------------------------|--|------------------------------|------------------------------|--|
| | Current tonnage, Current diversion | Diversion at maximum paid under contract | Incoming tonnage increase | Incoming tonnage decrease | Recyclables market value increase of 10% |
| Incoming tons MSW only | 229,268 | 229,268 | 243,024 | 224,683 | 229,268 |
| Increase/(decrease) % | | none | 6.0% | -2.0% | none |
| Incoming tons source separated | 20530 | 20530 | 21809 | 20530 | 20530 |
| Increase/(decrease) % from current | | none | 6.2% | none | none |
| Diversion % - current | 21.00% | 18.00% | 18.00% | 18.00% | 18.00% |
| Revenue split (GreenTeam:cities) | 75:25 | 75:25 | 75:25 | 75:25 | 75:25 |
| Diversion % - GT/Z proposal | 21.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| Revenue split (GreenTeam:cities) | 93:7 | 93:7 | 93:7 | 93:7 | 93:7 |
| Tons to Landfill - current | 181,122 | 188,000 | 199,280 | 184,240 | 188,000 |
| Tons to Landfill - proposal | 181,122 | 183,414 | 194,419 | 179,746 | 183,414 |
| SMaRT additional costs/(savings) | \$458,433 | \$268,613 | \$286,430 | \$385,735 | \$324,917 |
| Sunnyvale's share of costs/(savings) | \$234,195 | \$139,951 | \$143,110 | \$256,541 | \$170,119 |
| Mountain View's share of costs/(savings) | \$185,660 | \$132,359 | \$147,239 | \$132,817 | \$153,802 |
| Palo Alto's share of costs/(savings) | \$38,577 | (\$3,697) | (\$3,919) | (\$3,623) | \$997 |
| Additional Revenue to GreenTeam | \$458,433 | \$385,800 | \$409,935 | \$385,145 | \$431,100 |

Notes:

In each of the scenarios the difference between the current contract and the proposed is shown--changing the variables (incoming tonnage, diversion rate, change in market value)

The assumption is made that GreenTeam will achieve the maximum diversion rate that has a revenue sharing value (i.e. if 20% = 93% revenue share, then 20% diversion will be achieved)
Column 2 reflects status quo between the two contracts

Palo Alto benefits from additional diversion (landfill savings) but does not share source separated recyclable \$

GreenTeam diversion July through Dec 2002 averaged 21.89%, January 2003 it is 18.6% (unaudited)

Savings in disposal (at current incoming MSW rate) between 18% and 20% diversion is \$220K annually (net of put or pay)

Put or pay amount is Sunnyvale's sole cost